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ABSTRACT

The aged will continue to face increasing economic difficulties in the face of inflation unless some positive measure is taken to counteract this trend. In addition, younger working people will have to carry a financial burden of great magnitude as the number of unemployed older people grows. To improve this situation, employment opportunities for older people must be maximized and forced retirement abolished. (CK)

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EMPLOYMENT ASPECTS OF THE ECONOMICS OF AGING

A WORKING PAPER IN CONJUNCTION WITH THE OVERALL STUDY OF "ECONOMICS OF AGING: TOWARD A FULL SHARE IN ABUNDANCE"

PREPARED BY

NATIONAL COUNCIL ON THE AGING'S
NATIONAL INSTITUTE OF
INDUSTRIAL GERONTOLOGY

FOR THE

SPECIAL COMMITTEE ON AGING
UNITED STATES SENATE

DECEMBER 1969

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This working paper prepared by the National Council on the Aging's National Institute of Industrial Gerontology

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PREFACE

Americans of all ages are affected by intensifying problems related to generally inadequate retirement income in this Nation.

Heeding that fundamental premise, the U.S. Senate Special Committee on Aging is conducting a major study on the "Economics of Aging: Toward a Full Share in Abundance."

To assure that its hearings will be productive and well-founded, the committee has asked several task forces to prepare "working papers" [1] in advance of testimony by task force members and other witnesses.

The first working paper—issued in March—surveyed the field and produced evidence of (a.) a widening gap between retirement and work income; (b.) prevalence of poverty or near-poverty among at least 7 million Americans aged 65 and over; and (c.) little prospect for improvement in the income position of the aged unless major policy changes are made.

That same working paper also recommended that more intensive attention be given to several specialized subjects, including "implications of early retirement trends" and "employment opportunities in old age."

In response to that recommendation, the Subcommittee on Employment and Retirement Incomes of the Senate Committee on Aging is about to take testimony on the role of employment in promoting economic security in retirement and in the years just before retirement.

And once again, a working paper has been prepared in advance of actual hearings. It appears on the pages that follow.

This document is a major contribution to the overall committee study, for several compelling reasons:

—Its authors forcefully make the point that the United States does not yet have a clearcut, effective policy for maximum utilization of Americans now regarded as "older workers."

On the contrary, both government and private industry seem instead to regard earlier and earlier retirement—in some cases, it is actually enforced unemployment—as inevitable and perhaps desirable.

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[1] Working papers:
Economics of Aging: Toward a Full Share in Abundance, March 1969.
Health Aspects of the Economics of Aging, July 1969.
Social Security for the Aged; International Perspectives, August 1969.
Homeownership Aspects of the Economics of Aging (A Fact Sheet), July 1969.

Hearings:
Economics of Aging: Toward a Full Share in Abundance:
Part 1. Washington, D.C., Apr. 29–30, 1969, Survey.
Part 2. Ann Arbor, Mich., June 9, 1969, Consumer Aspects.
Part 3. Washington, D.C., July 17–18, 1969, Health Aspects.
Part 4. Washington, D.C., July 31, Aug. 1, 1969, Homeownership Aspects.
Part 5. Paramus, N.J., Aug. 14, 1969, An Urban Area.
Part 6. Cape May, N.J. Aug. 15, 1969, A Retirement Community.
Part 7. Washington, D.C., Aug. 25, 1969, International Aspects.
Part 8. Washington, D.C., Oct. 29, 1969, National Organizations.

—Such attitudes and practices are contributing to the economic insecurity of workers who are approaching retirement, leaving many of them with no alternative but early retirement and seriously inadequate income.

—Another major theme is that much talent and experience is wasted when jobs are scrapped as the needs of industry or commerce change. Forced to find new employment after his fortieth birthday, many a worker or executive has found himself on the road to permanently reduced income and—consequently—precarious retirement security.

—Despite the fact that four out of every five persons over 65 are not in the labor force and that the other one in five tends to concentrate in part-time and low-paid jobs, employment is still a major source of income for the aged group. Appropriate actions to increase employment opportunities for older Americans could therefore contribute substantially to the economic security of those who are able and wish to engage in gainful work.

Here again, the people and the Nation suffer because we have failed to promulgate policies—a national commitment—to assure *lifetime usefulness* of all of those who wish to avoid retirement patterns that are increasingly accepted as "normal."

To the National Council on the Aging and its National Institute of Industrial Gerontology, we are grateful for an excellent document which will be helpful, not only in the present study, but in others as well. Special thanks must also go to Dr. Harold Sheppard of the Upjohn Institute for Employment Research, a member of the original "Economics" Task Force and a major source of help in last year's study of "Adequacy of Services to Older Workers."

HARRISON A. WILLIAMS, JR.,
Chairman, Senate Special Committee on Aging.

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Chairman, Subcommittee on Employment and Retirement Incomes.

CONTENTS

	Page
Preface	III
Introduction	1
Retirement or unemployment?	3
A growing dependency ratio	4
Decline in labor force participation	6
Health and labor force participation	8
Unemployment in the preretirement years	10
Full employment for the middle-aged and older worker	12
Earnings after age 65	14
Conclusion	16

EMPLOYMENT ASPECTS OF THE ECONOMICS OF AGING

INTRODUCTION

This document is in large part an outgrowth of the report to the Senate Special Committee on Aging, submitted by a task force and entitled "Economics of Aging: Toward a Full Share in Abundance." Among the very significant observations made in that report were the following:

1. Unless positive action is taken, the economic position of persons now old will deteriorate markedly in the years ahead.
2. Low income in old age is *not* a transitional problem that, given present trends, will solve itself.
3. If present trends are permitted to continue, today's workers will face the same problem of inadequate income in retirement.
4. In relation to the income a given older person had before retirement, he has suffered a substantial drop.
5. Earnings drop as advanced age further curtails already limited employment opportunities.
6. Inflation erodes already inadequate retirement incomes, and this erosion continues over a long retirement period.
7. Early retirement is a developing trend that could seriously counteract other trends serving to improve the income position of future aged populations.
8. Early retirement (plus any further increase in life expectancy) allocates a greater number of years to retirement and increases the cost of income maintenance of the aged population.
9. The pension policies of government and private industry clearly influence the retirement decision of workers. Increased attention must therefore be directed to the social and economic implications of such policies and to the search for other solutions.

These and related observations by that Task Force lead us to consider the relationship of employment problems of older Americans to other aspects of social policy. The thrust of the document that follows here is that employment for older workers must clearly counter the unevaluated trend toward involuntary and early retirement. Much of the retirement taking place in our economy and society is counter-productive, arbitrary, inflationary, and possibly dysfunctional to the individual.

Two primary recommendations of the writers are that—

(1) the study of institutional and other arrangements giving rise to involuntary retirement called for by Section 5 of the Age Discrimination in Employment Act be undertaken promptly, and

(2) a Middle-Aged and Older Workers Full Employment Act, similar to that introduced in the Senate last year (S. 4180), be passed and adequately implemented in order to provide a comprehensive program of employment services and opportunities for middle-aged and older Americans.

RETIREMENT OR UNEMPLOYMENT?

As we enter the decade of the 1970's, we find a sort of limited, perhaps misdirected, concern among Americans about people who are not working and who are dependent on the working population. This is certainly the impression created, for example, by the current official and unofficial publicity about mothers of dependent children, and by the proposals to take them off welfare rolls through training and employment programs. If we were genuinely concerned about *all* potentially employable Americans and their needs to be trained or retrained, and about keeping all such persons in the labor force, why haven't we taken equal cognizance of, and attempted to remedy, the rather sharp decline in the labor force participation rate of older Americans? By "older" we mean here especially those persons aged 60–69.

We cannot fail to note the fact that even in a recent high employment year (1968), about one-half of all the men starting to receive their social security benefits were *under* 65. By the end of 1968 thirty percent of *all* men on social security benefits were under 65. Sixty percent of the men who claimed reduced benefits in 1966 were only 62. This age group contains a relatively high proportion of men with a history of low earnings and no covered earnings in the years immediately before they became eligible for social security benefits.[1]

The indirect evidence we have examined points to the very real possibility that a large proportion of these more than six million men are not retired on adequate retirement incomes, that many of them "retired" because of the adverse workings of our national manpower programs and policies—in the public and private spheres of our economy. According to the Social Security Administration, men taking benefits at age 62 had earned on the average about $2,700, about $800 less than those who could afford to wait till 63 or 64 to draw benefits, and $1,300 less than the average for men taking benefits at age 65. Many of these early retirees can be expected to swell the count of the aged who are poor or near-poor. And the poverty rate for families of men aged 65 or older is nearly triple that of younger families. Does the Nation consciously wish to *add* to its poverty rolls while indulging in a rhetoric about a "war against poverty"?

Furthermore, we are not impressed with the argument that a major reason for their non-participation in the labor force stems from health problems. There is a growing body of knowledge, indeed, which suggests that *one* of the reasons for the health problems they do exhibit may be related to damaging employment experiences in previous years.

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[1] Bixby, Lenore E., and Rings, E. Eleanor, "Work Experience of Men Claiming Retirement Benefits, 1966," *Social Security Bulletin*, August 1969.

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For example, Sidney Cobb, M.D., of the Institute for Social Research of the University of Michigan, has been examining the impact of the closing of a Detroit plant in 1963 on the physical and mental health of the workers. This plant had a large proportion of long-time employees in their 50's. He points out that although we have made gains in health programs for industrial workers when they are working, we are lagging in care of the same group when it is unemployed. In addition to severance pay and unemployment insurance, we need humane and personal consideration from our society in dealing with displaced workers.

The increase in sickness among the workers of the Detroit plant might have been due in part (a) to the tendency of some of the workers to move into a "sick" role in preference to an "unemployed" role and (b) to their reluctance to take time off for a postponable operation while they were working. But Dr. Cobb finds that for many diseases environmental stresses brought to bear on susceptible people will cause real illness. He has not yet finished his study, but he has concluded from this and earlier experience that losing a job can exacerbate diseases and even produce new diseases. Out of 54 men laid off in Detroit, he identified eight cases of arthritis, six cases of severe depression requiring medical help, three cases of ulcers, five cases of hypertension requiring hospitalization, two cases of high blood pressure, and one case of alcoholism as directly traceable to the plant closedown and its aftermath. Two men even lost their hair—a reaction in these cases to acute anxiety (alopecia). Men like these could be restored to a working role instead of being forced to leave the labor force, even though they may not be eligible for social security benefits until several years later.

A GROWING DEPENDENCY RATIO

We are concerned about the degree to which Americans of working age will accept a growing dependency population which they must directly and indirectly support. Furthermore, strictly from the standpoint of economics a growing "dependency ratio" can reach a straining point. Even a country like Sweden with its reputation of being a "welfare state" has come to recognize the need for a more rational approach to this dilemma. Indeed, it is possible to argue that "rational" and "humane" considerations are frequently mutually reinforcing. Many older persons want to continue to be employed as a major condition for income and life satisfactions. We are using the economic argument here to buttress humane motives for maintaining a high level of employment for older Americans.

Using the frequently accepted definition of working age population to be all those 20 to 64 years old, let us examine the trends in the dependency ratio in the United States. In 1950, for every 100 persons of working age there were 72.6 persons below 20 or above 64.

Today, that dependency ratio has climbed to approximately 93.2. The older, 65-plus part, of that dependency ratio is approximately 18.2 today.

Population projections for the near future indicate that the age group 65 and over will remain the same, relative to the age group 20 through 64. But as the Task Force on the Economics of Aging pointed out, with more and more workers retiring *before* 65, the ratio changes and we must re-examine the conclusion that the economic costs of supporting the nonworking population will not be increased by a rising proportion of older people.

With the present high proportions of workers claiming social security benefits before age 65, the dependency ratio can increase alarmingly. If workers aged 60 and over continue to be eased out of the labor market, the 1970 dependency ratio could approach 110. The dependency ratio for the older group (excluding children and teenagers) would then jump from 18.2 to 28.3. One hundred people would be working to support 28 people aged 60 or over through social security benefits, old age assistance, private pensions or help from the family.

If we are really concerned about some of the long-term and institutionalized forces of inflation, why aren't we making every effort to maintain a high level of labor force participation of "older workers"? And by older workers we mean those 60 to 69 years old—the group whose labor force participation rate has been declining most radically over the past two decades.

Inflation in its classical form consists of a static amount of production with a rising level of money supply. This is essentially what takes place when we give money to persons who are not in the productive processes of the economy. Countries such as Sweden have recognized this dynamic and have—contrary to the short-sighted American pattern—moved to *raise* the retirement age in industry.

One of the curses of inflation is that it produces a heedless disregard of costs—costs of a refrigerator, of a steak, of a new car, and of early retirement of the work force. A University of Oregon survey of early retirement programs in industry which is being conducted under a partial grant from the National Institute of Industrial Gerontology of the National Council on the Aging shows that, in 1968, 47 percent of the retirees in companies with early retirement options were early retirees. The great majority of these companies reported an increase in early retirements over the last ten years. Even when these retirements were voluntary, the companies expressed concern—concern for the welfare of their early retirees rather than for costs. (Any additional company costs of early retirement are frequently passed on to the consumer in the form of higher prices.)

The odds are that the aging individual will find himself part of the "new poor." We have already mentioned that recent Social Security Administration findings point to claiming of benefits in the lower age groups (under 65) as a last resort after periods of unemployment or underemployment. Benefits paid at age 62, and even at ages 63–64, in these cases are nothing more than a disguised form of unemployment insurance. Granted that workers aged 65 may be better prepared to retire (as evidenced by the better past earnings record of this group of beneficiaries), even among this group much retirement is compulsory and unwanted.

For the individual, financial problems are the dominating concern. And who can blame him when social security benefits now being awarded average little more than $100 a month for a retired worker? But there are adverse psychological impacts on the individual that a society as "civilized" as ours should avoid. Robert Butler, M.D., of the Washington School of Psychiatry points out that we leave immune from arbitrary retirement three leadership groups—political, judicial and medical—as well as the self-employed. Why these? What evidence is there of better performance among these groups than among the older workers in offices or in many modern blue collar jobs? Except perhaps for doctors, we cannot even point to concern over an economic scarcity of supply in these "immune" groups as a justification for favored treatment in the labor market.

DECLINE IN LABOR FORCE PARTICIPATION

The young are necessarily a dependent, non-productive part of any population. But the shrinkage of productive employment activity for the older population is something we can control. The impact of lost earnings on the individual can force him into poverty, at the same time that increasing numbers of such persons mean heavy costs to the economy in terms of dependency.

The loss of income from work begins not at "retirement", but before. Among those who have unemployment during a year, workers 45 or older have more spells of unemployment than younger workers. Among those who had any unemployment in 1967, 19.7 percent of workers 45–54, 24.6 percent of those 55–64, and 29.1 percent of those 65 or older had three or more spells of unemployment.[2] Only 14.6 to 17.6 percent of teenagers and 16.2 to 17.8 percent of workers aged 20–44 had as heavy an incidence of unemployment. The difference by age is especially pronounced among male workers:

Age:	*Percent with 3 or more spells of unemployment*
16 to 19	20.5
20 to 44	19.2
45 to 54	22.7
55 to 64	28.2
65 and older	30.3

Income loss from unemployment among older workers each year is partly due to the industries and occupations in which they are employed. What is significant is that among those 45 or older (almost 40 percent of our 1967 labor force), many are heading toward retirement after a large measure of reduced opportunity for employment. Seniority rules protect some. But there is nothing in recent Labor Department studies of job separations that confirms the idea that older workers as a whole are less exposed to layoff than are others.[3] Plant shutdowns, relo-

[2] Bogan, F. A., "Work Experience of the Population," *Monthly Labor Review*, June 1969. Appendix table C–1.
[3] Hoyl, K. D., "Why the Unemployed Look for Work," *Monthly Labor Review*, February 1967.

cations or mergers, little or no retraining or sparse informational guidance for the older man, prejudices against his past experience and against him because of his age—these lead to the long-term unemployment culminating in "retirement".

Major declines in labor force participation by the elderly are taking place in the younger categories of the upper ages, the 60–64 and 65–69 age groups. Taking males alone, the decline has been sharp:

LABOR FORCE PARTICIPATION

[In percent]

Males, age	Actual			Projected	
	1954	1960	1965	1970	1980
60 to 64	84.3	79.5	76.5	76.9	75.7
65 to 69	58.2	45.8	42.1	36.4	31.3

Note that by mid-1965 the actual labor force participation rate of men aged 60–64 was already below the 1970 projection for this group. The import of the downward trend in the 65–69 group is that the typically-reported "65+" decline should not be interpreted as being due largely to the unemployability of the very old—those in their 70's and 80's.

The labor force participation rate of capable men aged 65–69 is dropping sharply and not all of this is truly voluntary. If current labor force participation trends continue, out of every six men aged 55 to 59 surviving to age 64, one will no longer be in the work force by the time he reaches that age. Ten years ago, this ratio was only one out of eight. Furthermore the one out of six ratio is only for the short run. Unless we carve out a new and progressive policy, the proportion will grow over the next decade.

The types of comparisons cited so far can be misleading, for certain purposes. They can be useful in seeking answers to how persons of a given age group at a specified time fare in the world of work, in comparison to *another* generation of the same age at a *different* point in time. Such comparisons tell us something about trends in the nature of the economy perhaps, but they cannot be used with any great certainty to tell us what happens to workers as they grow older. The elderly workers of the year 1950 are not the elderly workers of the year 1965 or 1975. Unfortunately, we do not yet have any completed longitudinal manpower studies concentrating on the employment experiences of a cohort of individuals as they age.[4]

However, some inferences might be made from analysis of aggregate data published by the Department of Labor which contain, for example (A) the labor force status of a given age group in one year and also

[4] At the present time a longitudinal study is being carried out by Prof. Herbert Parnes at the Ohio State University under U.S. Department of Labor auspices.
The point above, and others that follow, are discussed at length by Harold L. Sheppard, "Aging and the Field of Manpower Development," in *Aging and Society*, Vol. II, edited by Matilda W. Riley and others. (Russell Sage Foundation, 1969.)

(B) the status of an age group ten years older in a year ten years subsequent to group A's year. They suggest very strongly that as workers grow older, starting perhaps in their mid-forties, they undergo a number of employment experiences that may have serious implications for policy-makers and practitioners.

For example, if we take those males born during 1916–25, and examine their labor force participation rate in 1950 (when they were 25–34 years old) and then check the 1960 rate of the group ten years older, as well as the projected rates for 1970 and 1980 for the 45–54 and 55–64 age groups respectively, we find the following trends:

Labor force participation rates, 1950–80, for males born in 1916–25

Actual:	
1950	96.2
1960	97.7
Projected:	
1970	95.4
1980	83.9

Source: *Manpower Report of the President, 1968,* tables A–2 and E–4.

In other words, we might infer that of men 25–34 years old in 1950, 96 percent were in the labor force at that time. Ten years later, 98 percent of these men still alive were in the labor force when they were 35 to 44 years old. But by 1980, it is expected that only 84 percent of the "survivors" aged 55–64 will be in the labor force. This sharp decrease in the rate will apparently take place in the 1970's when the men concerned are 45–54 years old.

This expectation appears to be verified by the past reality: in 1958, 963 out of every 1,000 men 45–54 years old were in the labor force, but ten years later, in 1968, out of every 1,000 men ten years older only 843 were still labor force participants.

HEALTH AND LABOR FORCE PARTICIPATION

While many males out of the labor force report that health problems affect their ability to work, there is nevertheless a sizeable proportion who report no chronic health conditions, or chronic conditions that do not limit their activity. The National Health Interview Survey of 1964–65 reveals that among all adult men the proportion with no chronic conditions or no activity-limiting conditions varies by age and labor force status:

LABOR FORCE STATUS

	Employed			Unemployed			Not in labor force		
	25 to 44	45 to 64	65+	25 to 44	45 to 64	65+	25 to 44	45 to 64	65+
Percent with:									
No chronic conditions	48	38	25	49	34	26	26	12	15
No activity-limiting conditions	45	47	41	37	36	33	23	17	23
Total[1]	93	85	67	85	70	58	49	30	38
Number (in thousands)	20,507	16,288	2,123	526	503	55	580	1,610	5,431

[1] Because of rounding, sums of the 2 items may not equal the totals shown.

Source: C. Rosenfeld and E. Waldman, "Work Limitations and Chronic Health Problems," *Monthly Labor Review,* January 1967.

The most striking aspect of the above table may be that out of 5,431,000 elderly males not in the labor force, 38 percent apparently have no health conditions that prevent them from working. In absolute numbers, this population amounts to two million persons, not an insignificant figure. To be sure, 92 percent of the total 5.4 million reported that they were retired, but even among these men, 43 percent reported no work limitations. In other words, among retired elderly males more than two million might be considered employable.[5]

One of the paradoxes is that this population of over two million retired men 65 or older and without work limitations *exceeds* by far—at a ratio of more than four to one—the number of younger men 45 to 64 years old who were also out of the labor force but without any work limitations, 483,000.

Among the elderly men out of the labor force, there was actually a lower *incidence* of total restriction than among those 45 to 64. This may be unexpected, but it probably indicates, as Rosenfeld and Waldman state, that—

(1) many men with the more debilitating health conditions may have died before reaching age 65 and

(2) more men who retire or otherwise leave the labor force before reaching 65 do so because their illness is so severe that it prevents them from working at all, rather than restricting the amount or kind of work they can do.

When we consider the relationship of age to the labor force status of men with no chronic or activity-limiting health conditions, we find the following:

	25 to 44	45 to 64	65+
Percent:			
Employed	96.3	94.0	40.2
Unemployed	2.3	2.7	.9
Not in labor force	1.4	3.2	58.9
Number (in thousands)	19,803	14,775	3,521

Note. Based on source cited in previous table.

Among such employable men, age is clearly a crucial correlate of their work status: very few of the youngest adults in the above table are out of the labor force, but the proportion more than doubles in the case of the 45–64 age group, and then it climbs steeply to nearly 60 percent of the "employable" men age 65 and older. To repeat, the number of such persons is substantial, more than two million, and it raises a variety of questions that cannot be answered on the basis of the data provided in the National Health Interview Survey. For example, what were the pre-retirement occupations and industries of the older labor force non-participants? To what extent is their current nonworking status due to voluntary or compulsory retirement? To what extent were they first unemployed before the age of 65 and then, because of an extended inability to secure adequate re-employment, finally "dropped out"?

[5] This section of the working paper is adapted from H. L. Sheppard, *op. cit.*

A more detailed age breakdown in another study of non-participants in the labor force provides further support for the possibility that many older persons (including those *under* 65) are out of the labor force—not employed and not looking for work—for reasons other than health problems. The following table reveals that among men not looking for a job but nevertheless wanting one, as of late 1966, 46 percent of those 55 to 59 years old and 37 percent of those 60 to 64 years old were not ill or disabled.

REASONS FOR NOT LOOKING FOR WORK AMONG MEN NOT IN LABOR FORCE WHO WANTED A REGULAR JOB SEPTEMBER 1966, BY AGE

Reasons	20 to 24	25 to 54	55 to 59	60 to 64	65+
Percent:					
Ill health, disabled	9	53	54	63	36
In school	54	10			
Miscellaneous, personal	23	9	18	5	15
Expect to be working		7			
Believe it impossible to find work	14	21	28	32	49
(a) No other reason	14	16	18	32	40
(b) Also ill		5	10		9
Number (in thousands)	122	376	61	105	305

Source: Robert L. Stein, "Nonparticipation in the Labor Force," *Monthly Labor Review*, July 1967.

This table also shows that even when allowance is made for illness, the belief that it is impossible to find employment is related to the age of the respondent. Furthermore, the study indicated that approximately 30 percent of all those not in the labor force but who wanted a regular job (and believed it impossible to find one) felt that employers thought them too old.

In 1968, a year of high employment opportunities, there were 213,000 men who wanted work but thought they could not find it, 51,000 of whom were aged 45 to 64. Another 87,000 were "65 and over"—again we are left with an open-ended age grouping, but here what is significant is that these older men wanted work. A large proportion of these 213,000 (excluding many of the 42,000 teenagers) had recent work experience and planned to continue looking for work.[6]

UNEMPLOYMENT IN THE PRE-RETIREMENT YEARS

Once unemployed, older workers run the greatest risk of long-term joblessness.

This greater long-term unemployment risk can be seen in the following table which cites the percentage of the unemployed out of work for 15 or more weeks for each of four selected years during the past decade.

[6] Flaim, P. A., "Persons Not in the Labor Force: Who They Are and Why They Don't Work," *Monthly Labor Review*, July 1969.

PERCENT OF UNEMPLOYED OUT OF WORK FOR 15 OR MORE WEEKS, BY AGE AND SEX, 1957, 1961, 1966, AND 1968

	Age					U.S. unemployment rate for 16+ labor force
	14 to 19	20 to 24	25 to 44	45 to 64	65+	
Males:						
1957	13	15	19	28	39	4.1
1961	22	31	35	41	47	6.4
1966	12	14	22	31	37	3.2
1968	8	10	18	26	34	2.9
Females:						
1957	11	13	18	23	21	4.7
1961	16	25	29	34	41	7.2
1966	11	10	17	22	34	4.8
1968	10	11	15	18	25	4.8

Source: Based on table A-18, Manpower Report of the President, 1969.

In each of these four selected years the proportion of the unemployed with long-term joblessness (15 weeks or longer) increased with age. The table also shows how these proportions rise and fall from one year to another, depending on the over-all state of the economy, measured by the general rate of unemployment for each year.

Various indices suggest that the critical period in the work-lives of adult men occurs sometime during their late forties and early fifties. For example, with rare exceptions in every year since 1947 the unemployment rate among men began to rise after the age category of 35–44.

The latest eight years beginning in 1961 show the following pattern:

MALE UNEMPLOYMENT RATES, BY AGE, 1961-68

Year	All ages	35 to 44	45 to 54	55 to 64	65+
1961	6.4	[illegible]	4.9	5.7	5.5
1962	5.2	3.6	3.9	4.6	4.6
1963	5.2	3.5	3.6	4.3	4.5
1964	4.6	2.9	3.2	3.9	4.0
1965	4.0	2.6	2.5	3.3	3.5
1966	3.2	2.0	2.0	2.6	3.1
1967	3.1	1.7	1.9	2.4	2.8
1968	2.9	1.6	1.9	1.9	2.9

Since 1961, a high unemployment year, the rate of unemployment among men of all ages declined by slightly more than 50 percent (from 6.4 to 2.9). The decline was greater for those between 35 and 64. But the rate of unemployment among the 65 and older group declined by only 47 percent, despite the subsequent opportunities for pre-65 retirement under recent Social Security amendments. Even with these "opportunities", unemployment has remained at a higher rate among such elderly workers than among all other adult workers 35 years of age and older. The rate would have been higher if it were not for the "escape" through pre-65 social security eligibility.

But cohort analysis over time is more pertinent. Another example of the critical nature of the 45–54 age period in workers' lives can be seen in the fact that in eight out of the eleven years subsequent to each year starting with 1947, the unemployment rates of men ten years older (55–64) had risen:

	Unemployment rates of men aged 45 to 54 in—										
	1947	1948	1949	1950	1951	1952	1953	1954	1955	1956	1957
Percent unemployed in given year	2.6	2.5	4.3	4.0	2.4	2.2	2.3	4.3	3.2	3.0	3.3
Percent unemployed 10 years later	3.5	5.5	4.5	4.6	5.7	4.6	4.3	3.9	3.3	2.6	2.4

Among men in general, and among men who were in the younger (25–34) age bracket in the earlier years, the incidence of higher unemployment rates ten years later was less than for older men. In other words, the probabilities are relatively high that for male workers 45–54 in any given year unemployment rates will be higher ten years later.

These unemployment rates, moreover, do not include any count of men 45–54 in 1950 who became unemployed during 1950–60 and then gave up the seach for re-employment. Unemployment rates among older men are held down by omitting those who withdrew from the labor force. We cannot continue the deceptive statistical game of redefining "unemployment, work, and retirement" in order to maintain the comforting myth that we have found the Holy Grail of full employment. We need much more information about lifetime work, unemployment, and earnings experience of individuals. The Survey of New Beneficiaries, due for completion by the Social Security Administration late in 1969, will give us information on the last and previous occupations and current income sources of early and regular retirees. So far as earnings in the year before taking benefits are concerned, we already know that only 30 percent of male early retirees in 1966 had earnings at or above $4,800 (the maximum taxable in 1959–65), compared with nearly two-thirds of those who could wait until 65 to take benefits. The percentage of 62-year old men who did not work at all in the year before getting benefits was more than twice as large as that for men who waited to take benefits at age 65. Some early retirees retired voluntarily because they had other sources of income than employment. But they were a minority, and they too may be headed for trouble in an inflationary period.

FULL EMPLOYMENT FOR THE MIDDLE-AGED AND OLDER WORKER

It goes without saying that the level of the overall unemployment rate is a critical matter for the older worker's job prospects. But there are a number of things that can be done which would at least equalize the older worker's opportunities for employment with those of others in the work force. The Nation can produce a climate that avoids the welfare-dependency approach that we are drifting into today.

First of all, there are effective ways of training and retraining mature workers if we have the will to do it.

For example, the work of Meredith Belbin in England on training methods shows that some training techniques work better than others for those long out of the classroom.[7] Our private vocational schools know this. Government training programs should take these techniques into account.

Second, we think that Congress should consider incentives to industry to make training *continuous* in order to adapt to new technologies.

Evidence from the Port of New York Authority and the plumbing and pipe-fitting industry shows that re-training and even upgrading of skills of mature workers pay off in meeting continually changing technological demands in industry.

Third, we need to encourage policies that will keep middle-aged workers effectively informed about the labor market.

The new series of job vacancy statistics and computerized job banks should be useful in determining program direction. One of the worst gaps in public employment service administration has been inability to provide information about where the jobs are. In the United States Arms Control and Disarmament Agency study on Employment Experiences of Defense Workers, it was found that "government programs can do a great deal to improve the information search channels used to locate new jobs". A great part of the differences in reemployment experience among the workers in defense plants was attributed to information, mobility and labor market conditions. These factors seemed more important than age, experience or skill in job finding success. Certainly both information and assistance in mobility are susceptible to government action. The "job banks" that are undergoing testing in the State employment services may prove a useful tool in assuring the older worker's exposure to job opportunities.

Fourth, a rapid increase in staff support to enforce the Federal age discrimination law is urgently needed. And we cannot continue merely to speculate about whether the increase in early retirement is voluntary.

In the Age Discrimination in Employment Act of 1967, section 5 reads:

> The Secretary of Labor is directed to undertake an appropriate study of institutional and other arrangements giving rise to involuntary retirement, and report his findings and any appropriate legislative recommendations to the President and to the Congress.

This study has not yet been made. Congress itself must take a long, hard look at the effect of involuntary retirement policies on the lives of individuals who must leave their jobs, and on the effect of these policies on the economy and social fabric of the nation. Because employment income is clearly so much higher than retirement income, individuals should have choices, alternatives as to whether they wish to continue to work or to retire.

[7] See his *Discovery Method*, published by the Organization for Economic Cooperation and Development (Paris, 1969).

A fifth recommendation relates to a bill to provide a comprehensive program of employment services and opportunities for middle-aged and older Americans, introduced in the U.S. Senate in October, 1968 (S. 4180 Committee Print). A version of this bill, now under revision, should be passed and adequately implemented.

The bill calls for a Midcareer Development Service, including loans and grants for training persons 45 years of age or older, to upgrade their work skills. It further provides for specialized education of trainers in the learning processes of middle-aged and older workers, emphasizing innovative techniques for training older Americans. Midcareer counseling service is called for. Provision of work opportunities is encouraged by (1) review of Federal contracts by the Secretary of Labor, to encourage employment of older workers if qualified, (2) recommendation by the Secretary to the anti-poverty agencies regarding provision of employment to the older poor, (3) grants to non-profit volunteer agencies to stimulate part-time employment of older persons, (4) action to provide more jobs for older persons in the Federal Government, (5) provision of costs of operation of volunteer service programs using older volunteers. Research, development, and demonstration to achieve the bill's objectives are provided for, as is a Commission on Lifelong Adult Education.

Sixth, the matter of vesting of pension rights needs definitive action.

About 60 percent of workers in negotiated plans have this protection. A study of the eligibility requirements to obtain vested rights might give us a "norm" as a guide to a compulsory vesting provision in all private pension plans. As defense expenditures are curtailed, we are likely to see heavy layoffs in local labor markets. Congress might well consider whether it would be desirable to require vesting of pension rights under defined eligibility conditions in all government contracts. This would enable workers who are laid off as contracts end to seek new jobs armed with some defense against employer reluctance to hire them because their age makes them only partially eligible under a company's pension plan.

Seventh, as a way of delaying the "crossing of the Retirement Rubicon" why should we not provide workers, at least those over 55, with *extended* unemployment benefits to increase the chances of their continuing their job search instead of being forced to drop out of the labor force altogether?

Finally, we need to reassess our national policies with respect to the effect of earnings on social security benefits—policies that give no extra credit if retirement is postponed after age 65 and that reduce benefits if earnings exceed specified amounts.

The following brief discussion of earnings in the retirement years explores this last recommendation in more specific terms.

Earnings after age 65. The Task Force pointed out that earnings were a major income source for the aged—accounting at the time of the

Social Security Administration's 1963 survey for 32 percent of the aggregate money income of all persons aged 65 and over . . . "despite the fact that four out of every five older persons are not in the labor force and that the other one in five tends to concentrate in part-time and low-paid jobs".

The Task Force also commented on the sharply declining role of earnings, with the drop offset by the increasing importance of social security benefits. In 1958, earnings were possibly as much as 40 percent of an estimated aggregate income of $25–30 billion. Latest estimates from the Social Security Administration indicate that the role of earnings in the aggregate income of the population over 65 has continued to drop. A preliminary rough estimate based on tax returns and reports of agencies that operate income maintenance programs suggests that in 1967 less than 30 percent of an aggregate income exceeding $50 billion was in the form of earnings

Any consideration of the role of earnings in the economics of aging must first recognize that employment opportunities—even if greatly expanded—are meaningless for the vast majority of our aged population. A distinction must then be made between those who have retired but take part-time jobs, often to supplement inadequate retirement benefits, and those—a small part of the total aged population—who have been able to continue in full-time work, thus postponing retirement.[8]

Deferred retirement credits up to at least age 70 seem a rational development to protect the employment potential of those who can and want to work after the age of eligibility for retirement benefits. Some government officials believe that such deferred credits would not be worth their added cost. This is a matter of judgment. We regret seeing the *principle* of encouraging employment (rather than retirement) set against the issue of raising social security benefits generally, and rejected on the grounds of cost comparisons.

The issue of employment among older persons has also been renewed by growing dissatisfaction with the so-called "retirement test" under Social Security. This in turn should be related to the even broader question of using age as a primary criterion for retirement in the first place. The dissatisfaction with the current "retirement test" stems partly from the fact that thousands of meaningful jobs remain unfilled while corresponding thousands of Social Security beneficiaries are constrained from accepting such jobs either out of fear that their benefits will be reduced or—in the case of men and women taking on such jobs on a full-time basis—that they will not be able to get back on the benefit rolls when they once again "retire".

The view of the writers is that the confusion and dissatisfaction of older Americans concerning the "retirement test" is in reality a reflection of American society's own confusion and inconsistencies about the status of older persons in the world of work. And until that confusion and those inconsistencies are confronted and resolved, we will be interminably bogged down in endless controversy over such matters as how much a "retired" person may earn and still receive Social Security benefits.

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[8] Of the family heads aged 65 and older, 15 percent were year-round, full-time workers in 1967; only 8 percent of the unrelated aged individuals were full-time workers throughout the year.

We are not offering a solution to this challenge. We are instead briefly raising the issue as a means of stimulating a national debate and dialogue so that American employees, employers, trade unions, and legislators all will recognize the challenge and begin to create solutions.

CONCLUSION

The price the Nation pays for failure to maximize employment opportunities for older workers is increased dependency. We do not see an increase in dependency as a good tool with which to fight inflation. We all have much more to gain through a national effort to raise our productive capacity and simultaneously provide meaningful job opportunities for older people.

Some years ago, Dwight Sargent of the Consolidated Edison Company studied the effects of allowing employees of that utility to continue to work beyond the regular retirement age of 65. He concluded that in two years studied, the company could *profitably* retain about two-thirds of employees reaching age 65—profitable in terms of productivity and savings in pension costs. These people continued to be producers, better consumers, and better taxpayers.

An important reason for re-examining the apparent trend toward earlier retirement was suggested by the Task Force on the Economics of Aging:

> As compared to today's older population, workers who reach old age in the future will undoubtedly have higher educational achievements and can be expected to have better health status; a higher proportion will be nonproduction workers. We question whether there is presently sound ground for believing that they will want to accept patterns of early retirement or even retirement at the ritualistic figure of 65. In other words, work and retirement patterns that have characterized the past few decades will not automatically be extended into the future.[9]

Until we achieve the ideal goal of making one's year of birth irrelevant in the minds of employers and others, the greatest protection for older workers is the joint effect of economics and legislation, including the enforcement of that legislation.

The authors are not against retirement. We are against *forced* retirement, whether subtle or blunt. We are for a society and economy in which the individual worker can have choices and alternatives under decent conditions—which is the essence of freedom.

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[9] *Economics of Aging: Toward a Full Share in Abundance*, p. 33.

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